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C O N F I D E N T I A L SECTION 01 OF 04 BEIJING 000533

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E.O. 12958: DECL: 01/24/2032

TAGS: [PGOV](#) [CH](#)

SUBJECT: ANTI-CORRUPTION ENFORCER DISCUSSES PARTY'S FIGHT
AGAINST GRAFT

REF: A. FBIS CPP20070109073011
[1](#)B. FBIS CPP20070110708003
[1](#)C. FBIS CPP20070121066004
[1](#)D. 06 BEIJING 23885

Classified By: Classified by Political Internal Unit Chief Susan Thornt
on.

Reasons 1.4 (b) and (d).

Summary

[1](#)1. (C) China's leaders continue to trumpet the Party's crackdown on corruption, with its Central Discipline Inspection Commission (CDIC) supplying the shock troops for the fight. CDIC staff recently told poloffs that the past year has been an exceptionally busy one because of the large number of high-level officials felled on corruption charges, warning that the Shanghai investigation is far from over. Beyond nabbing cadres on the take, CDIC hopes to prevent malfeasance through reforms designed to remove the structural causes of corruption. Despite CDIC's claims that things are getting better, most Embassy contacts emphasized the severity of the challenge and expressed pessimism about the Party's ability to bring corruption under control. One contact related stories about buying of positions and bribery of judges to illustrate the pervasiveness of corruption in Chinese society. Comment: With an eye toward preserving social stability and the Party's legitimacy, the leadership appears committed to making a concerted effort to rein in corruption. Whether it can succeed in the absence of broader political reform is an entirely different matter. End summary and comment.

China's Ongoing Anti-Corruption Campaign

[1](#)2. (SBU) China's leaders continue to trumpet the Party's crackdown on corruption, supported by a full-scale media blitz involving nearly daily coverage of the latest steps to rein in graft. President Hu Jintao's January 9 speech to the Central Discipline Inspection Commission (CDIC) plenary session has become the Party's latest tool for emphasizing its "seriousness" in tackling the corruption challenge. In the speech (Ref A), President Hu called for improving cadres' "work style," promotion of "clean government" and cracking down on corruption, as well as for taking the anti-corruption fight to the economic, political, cultural and social spheres. Despite progress to date, China still faces an "arduous fight" against corruption and should continue to investigate "major and high-level cases," Hu stated. The CDIC Plenary communique of January 10 (Ref B) warned cadres against getting involved in commercial bribery, illegal property deals, gambling, embezzlement and fraud in management of state-owned enterprises. Attention has now turned to "implementation" of Hu Jintao's speech so as to lay the

groundwork for this fall's 17th Party Congress (Ref C).

CDIC: The Party's Anti-Corruption Enforcers

13. (C) The organization responsible for carrying out President Hu's order to rein in corruption is the Central Discipline Inspection Commission (CDIC), the enforcer of Party rules and regulations (Ref D). Wang Yongjun (protect), Director General of CDIC's Foreign Affairs Department, conceded during a recent meeting with poloffs that it has been an "exceptionally busy year" for CDIC. A number of high-ranking Party and Government leaders were sacked in 2006 on corruption charges resulting from CDIC investigations, Wang pointed out, including Shanghai Party Secretary Chen Liangyu, Beijing Vice Mayor Chen Liu Zhihua

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and National Bureau of Statistics Chief Qiu Xiaohua, just to name a few. (Note: Wang is dual-hatted, holding the same position in the Ministry of Supervision, the government analog to the Party's CDIC. In reality, there is only one organization, with the Minister serving as CDIC Deputy; the name of the organization simply changes, depending on whether the case concerned is a Party or government matter. End note.)

14. (C) It was the high level of officials under investigation, not necessarily the volume of cases, that made the past year a hectic one, Wang stated. The overall number of cases handled by CDIC has been fairly constant the last few years, with CDIC's 400,000 personnel conducting investigations resulting in the punishment of approximately 150,000 officials annually, around 10,000 of which are referred to the state procuratorate for investigation under Chinese law. Exceptionally high-

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profile cases such as the one in Shanghai that toppled Chen Liangyu are obviously carried out only after first obtaining high-level political approval. Commenting further on the Shanghai case, Wang noted that the recent appointment by central authorities of a new head of the Shanghai Discipline Inspection Commission was intended to increase central oversight of the inquiry there. The Shanghai case is far from over, Wang cautioned, as hundreds of CDIC personnel remain to continue the investigation there, which is "extremely complex."

"Systemic" Causes of Corruption

15. (C) The primary causes of Chinese corruption are "systemic" and a direct result of the reform and opening pursued since 1978, Wang stated. As China has developed economically and people have been allowed greater freedom in their daily lives, opportunities for corruption have flourished. Deng Xiaoping was fully aware of this fact, Wang said, claiming that Deng had believed China should "seize" the opportunities of reform with one hand while "smashing" the corruption that would inevitably result with the other. The discretionary powers of cadres and bureaucrats in a wide range of sectors is another structural cause of corruption, Wang asserted. Officials' power to give or deny "administrative approval" on everything from import/export licenses to permits for financial and construction projects merely creates more rent-seeking opportunities. Currently, the greatest possibilities for corruption lie in the areas of real estate, social welfare, construction, transportation and finance, Wang said.

Prevention, Not Just Punishment

16. (C) There is a great deal more to being a CDIC

investigator than "cracking heads" and punishing those found guilty of wrongdoing, Wang passionately argued, claiming that CDIC is behind a number of China's administrative reforms. CDIC's goal is to prevent corruption by addressing its root causes, not just the symptoms. To do so, CDIC advocates reforms designed to remove the structural incentives to malfeasance. For example, CDIC has pushed through reforms abolishing the need for bureaucrats' approval in many areas, letting the market decide matters where possible. CDIC also supports increased transparency as a means of battling official graft and increasing accountability, including by promoting "e-government" that requires local authorities to publicize significant decisions and policies and invite public comment. Personnel reform is also required to cut down on corruption. Virtually all promotion and transfer decisions used to be made in secret, Wang said, but now in some localities, the public is notified which officials are up for promotion and given the opportunity to call CDIC's whistle-blower hotline to report any misdeeds those officials may have committed.

17. (C) The impact of CDIC's work extends well beyond nabbing corrupt officials and is directly related to improving China's governance and enhancing the Party's legitimacy, Wang said. CDIC hopes that its work can keep cadres from making poor decisions that tarnish the Party's reputation and destroy their own careers. CDIC personnel also believe they play a crucial role in ensuring China's continued economic development by cracking down on corruption in order to maintain the confidence of foreign investors, while not going so far as to stifle economic growth. CDIC's influence extends to all areas of the economy, Wang said, including environmental and food safety issues, where corruption and misconduct is common.

"Things Are Getting Better"

18. (C) Corruption in China is not as serious as it was at the beginning of the reform period, when China's legal and administrative systems were not as developed as they are today, Wang claimed. He bristled at the idea that China's leadership is currently conducting an anti-corruption "campaign," complaining that the word "campaign" is reminiscent of the disorderly mass movements of the Mao era. In modern China, Wang said, "we handle matters in accordance with the law." Precisely because China now has legal and administrative systems designed to combat corruption, "things are getting better" and the situation has improved from just a few years ago, Wang asserted.

Other Observers Pessimistic

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19. (C) In separate conversations, Embassy contacts emphasized the severity of the corruption challenge and expressed pessimism about the government's efforts to combat it. According to journalist Xiong Wei (protect), corruption is "absolutely pervasive" and poses a direct threat to the Party's survival, especially in rural areas. Only political reform and expanded citizens' rights will solve the corruption problem, Xiong argued, noting that neither is likely in the short term. According to Professor Cui Zhiyuan (protect) of Tsinghua University's School of Public Policy and Management, real estate issues, especially rural land seizures, and the disposal of state-owned enterprise assets are the two main sources of corruption in China today.

Unfortunately, government policies are only exacerbating the land-related corruption. Elimination of the agricultural tax, though designed to boost farmers' incomes, has resulted in a significant loss of revenue for

local governments, Cui explained. As a result, land use fees have become their biggest source of income, thereby creating further incentive and opportunities for corruption.

¶10. (C) Although China has the "political will" to carry out an anti-corruption campaign, it is still five to ten years away from getting a handle on the problem, according to Professor Cheng Wenhao (protect), Director of Tsinghua University's Anti-Corruption and Governance Research Center. Nevertheless, Cheng argued that the direction of anti-corruption efforts is positive, noting that most of the high-profile cases, such as the one in Shanghai, involve shady behavior that goes back at least five years. Cheng emphasized that educational efforts targeting young people and aimed at creating an "integrity society" will play a key role in curbing corruption. How can we have clean government and honest officials when society as a whole is corrupt, Cheng asked rhetorically.

¶11. (C) Sounding a more pessimistic note, Lu Mai (protect), Secretary General of the China Development Research

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Foundation, told poloff that even though no one knows the true number of corrupt officials and whether that figure is going up or down, "things are definitely not getting better." Despite the punishment of large numbers of officials every year, in their minds the potential benefits of corruption always seem to outweigh the risks of getting caught, Lu stated.

Posts for Sale, "Indirect" Bribing of Judges

¶12. (C) Zeng Jie (protect), former Ministry of State Security official turned businessman, recently related to Poloffs the corrupt behavior of two of his acquaintances which, he said, highlight just how widespread corruption is in Chinese society. A friend of Zeng's in Guangdong province reportedly bragged about buying his position as local police chief for the price of between 500,000 and 1,000,000 renminbi. The outright selling of posts is not that uncommon, Zeng said. Another friend, a judge, recently told Zeng about his being sued by a "lawyer friend." It turns out that the judge's "friend" was a female lawyer who had repeatedly invited the judge over to her home to play mahjong. By some amazing streak of luck, the judge always seemed to win huge sums of money at these mahjong parties, a common form of "indirectly" bribing judges, Zeng said. When the judge later ruled against the lawyer in a particular case, she decided to exact revenge by finding grounds to file a lawsuit against him. Zeng was pessimistic about the Party's prospects for bringing such pervasive corruption under control.

Comment

¶13. (C) A long-term American observer of China, having witnessed many an "anti-corruption" campaign, recently expressed to Poloffs his skepticism of the Party's motives for pursuing corruption cases beyond mere politics and personnel jockeying. Given the extent of corruption here, it seems plausible that most corruption investigations would involve some political consideration. Nevertheless, the current effort appears much broader than a simple political campaign or a personnel-related "house cleaning." As Tsinghua's Professor Cheng said to poloff, the Chinese public consistently ranks corruption as one of its top concerns, and the Chinese leadership itself has said that stamping out corruption is a "life or death" issue for the

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Party. Whether it can succeed in the absence of broader political reform is an entirely different matter.

